

EQUIPMENT ACQUISITION FUND SUMMARY

BACKGROUND

The Equipment Acquisition Fund (EAF) was created in FY1987 to purchase capital equipment. The EAF acquires the majority of capital equipment for all General Fund departments and selected special revenue funds. Capital equipment eligible for funding in the EAF includes maintenance equipment, furniture, computers, communication equipment, automobiles, trucks, vans, garbage trucks, construction equipment and other items which have an average useful life of 3 to 10 years.

In FY1997, City Council approved Ordinance No. 96-1178 which authorizes the issuance of commercial paper to finance the purchase of capital equipment budgeted in the EAF. This technique provides "on-time" financing (i.e. commercial paper issuance timed to payments to vendors) at traditionally lower interest rates.

APPROVAL PROCESS

The purchase of a vehicle or piece of equipment through the EAF must pass through several approval steps. First, the equipment must be recommended by the Mayor, through his CAO. Second, funds must be appropriated by City Council. Third, City Council must approve the specific purchase, normally with a review by the Strategic Purchasing Division of F&A to insure that appropriate procurement regulations were followed. Appropriations for equipment purchases, like bond funds, do not lapse at the end of the fiscal year.

EQUIPMENT TYPES

Following is an overview of the categories of equipment appropriated in this fund:

Rolling Stock Replacement – the City's rolling stock is comprised of a wide array of equipment ranging from tractors, mowers and trailers to patrol cars, garbage trucks, and fire apparatus. This year, emphasis is being placed on identifying vehicles that will cost more to repair than the annual debt service cost if these vehicles are replaced. Solid Waste Management is requesting to replace sideloader garbage trucks with high maintenance costs. The Police Department is replacing high mileage marked patrol cars and investigative units while the Fire Department is targeting the replacement of ambulances, some fire-fighting apparatus, SUVs for District Chiefs, and squad vehicles for paramedics.

Other Equipment – this category is comprised of all items that are not rolling stock or computer equipment. It ranges from fire gear to radios. Fire will be receiving replacement bunker gear, radios and updated self-contained breathing apparatus. The Police Department will be purchasing replacement radios.

Information Technology (IT) – this category is comprised of all items that are IT-related. It ranges from continued improvements and enhancements of the network infrastructure to the replacement of outdated hardware, software, and data communication components. Consolidation of the network will continue and position the network to handle the integration of VoIP. The replacement of desktop components (computers, printers, scanners, monitors), servers, and data storage arrays will continue as the older components become no longer serviceable or the support and maintenance costs become prohibitive. IT will continue investments in securing the city's network and the E-Government initiative. The E-Government initiative provides for alternative payment and procurement alternatives for our citizens.

DETERMINING THE CORRECT FLEET SIZE

Following the adoption of the FY2003 Budget, the Chief Administrative Officer's (CAO) staff conducted a study of the city's fleet which resulted in a moratorium being placed on new or replacement sedans (if used as a take-home vehicle). The departments were then asked to conduct a zero-base exercise of their take-home fleets. Critical examination of these assignments resulted in a twenty-six percent reduction in take-home vehicles. Concurrently, the Finance and Administration Department (F&A) analyzed the city's fleet to determine when to replace vehicles. Research into the various departments sought to determine the current fleet size, reserve fleet size, maintenance procedures and replacement criteria for vehicles. This study found that the departments have vastly different guidelines for replacements and some organizations had vehicles that were not being used. This analysis led F&A to reduce its own fleet from 32 to 24 vehicles. F&A recommended to the other departments that they also reduce their fleets based on need before requesting any replacement vehicles. The CAO's office requested that the departments evaluate their light-duty fleets with the expectation that they reduce this fleet size by fifteen to twenty percent. As a result, the Health & Human Resources Department turned in 55 vehicles, Public Works & Engineering's (PWE) Right-of-Way (Fund 100) has identified 70 vehicles that will not be replaced and PWE's Public Utilities (Fund 701) turned in over 100 vehicles. Additionally, the Police Department has been reducing their unmarked investigative sedans over the last three years.

These studies have enabled F&A to develop a logical and supportable set of guidelines for vehicle replacement.

FISCAL YEAR 2004

For FY2004, guidelines have been implemented requiring that a vehicle must have logged at least 95,000 miles or must be at least 10.5 years old in order to be considered for replacement. The exception to the age requirement is for marked police vehicles and ambulances, which must be 6 years or 4.5 years old respectively. If a vehicle does not meet one of the above guidelines, the department must show that the maintenance costs to continue to operate a vehicle will be greater than the annual debt service on the purchase of a new vehicle.